# GLOBAL TRANSPORTATION HUB

# Annual Report for 2014-15

saskatchewan.ca

Government of Saskatchewan

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*This annual report is also available in electronic format at **THEGTH.COM***

# Letters of Transmittal

## Minister's Message

Regina, Saskatchewan
March 31, 2015

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

Your Honour:

I respectfully submit herewith the annual report of the Global Transportation Hub (GTH) for the year ending March 31, 2015, including the financial statements, duly certified by auditors for the entity, and in the form approved by the Treasury Board, all in accordance *with The Global Transportation Hub Authority Act*.

The GTH plays a critical role in the Government of Saskatchewan's Plan for Growth to create a strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to raise a family, and to build a life. I would like to thank the GTH team, management and Board of Directors for their dedication and contributing to this transportation and logistics vision.

I have reviewed and accept responsibility for this report and offer assurance for the accuracy, completeness, and reliability of the enclosed information.

Respectfully submitted,

Honourable Bill Boyd
Minister Responsible for the Global Transportation Hub

## President's Message

Infrastructure investment and development is an important part of the Government's Growth Agenda and to keeping Saskatchewan strong. The Global Transportation Hub (GTH) was formally established five years ago to drive transportation innovation, serve as an instrument of trade, and to develop partnerships with the private sector.

We're proud to be delivering on that vision. While still in its infancy, the GTH has made remarkable progress in a relatively short period of time. This past year we welcomed new clients; saw the completion of LEED-certified warehousing by our client Morguard; moved the GTH offices to the Hub location (in the first of the Morguard buildings); added a workforce planning expert to assist existing and potential clients with their human resource needs and work hand-to-hand to address ongoing labour shortages; began preparing land for our commercial services center and at the same time, we continue to actively work with a number of prospective investors.

Currently, the GTH has over 300 acres of service-ready land for sale or lease to businesses in transportation and logistics, warehousing and distribution, importing/exporting and light manufacturing. Unlike traditional land options, the GTH is a self-governing Greenfield environment that allows clients the flexibility they need to set up their businesses. This innovative approach is helping drive economic development for Saskatchewan.

In closing, I would like to thank our dedicated management team, all the GTH employees, and our incredible board of directors for their contributions over the past year.

As the President and Chief Executive Officer of the GTH, I take responsibility for the financial administration and management control of the GTH. Furthermore, I acknowledge my responsibility for this report and provide assurance on the accuracy, completeness and reliability of the information contained within.

Respectfully submitted,

Bryan Richards,
President and Chief Executive Officer
Global Transportation Hub

## Introduction

This annual report for the Global Transportation Hub (GTH) presents the activities and outcomes for the fiscal year ending March 31, 2015. It reports to the general public and elected officials on public commitments made and other key accomplishments.

The GTH followed the Public Performance Reporting Guidelines when reporting on its results. These guidelines provide an accountability framework for the GTH's business plan and summarize the results achieved.

The GTH has been operating since January 1, 2010, and this is the fifth annual report based on a full-year of operation for the GTH.

This report demonstrates the GTH's commitment to effective public performance reporting, transparency and accountability to the public.

## Alignment with Government's Direction

The GTH activities in 2014-15 align with the Government of Saskatchewan's vision and four goals.

### Our Government's Vision

A strong and growing Saskatchewan, the best place in Canada - to live, to work, to start a business, to get an education, to raise a family and to build a life.

### Our Government's Goals

- Sustaining growth and opportunities for Saskatchewan people.
- Meeting the challenges of growth.
- Securing a better quality of life for Saskatchewan people.
- Delivering responsive and responsible government.

Our Government's vision and four goals provide a directional framework for ministries, agencies and third parties to align with these priorities. This 2014-15 annual report provides an opportunity to report on results achieved. This honours our Government's commitment to keep its promises and ensure greater transparency and accountability to the people of Saskatchewan.

Together, all government ministries and agencies support the achievement of the Government's goals and work towards a growing and prosperous Saskatchewan.

The Government of Saskatchewan continues to maintain an attractive business climate for the transportation and logistics industry and establishing the infrastructure that will support growth. The GTH is an effective and responsive administrator of business risk management programs that support these goals.

The GTH has and will continue to contribute to the Saskatchewan Plan for Growth through the following key objectives:

- Investing in the infrastructure required for growth.
- Supporting increased trade, investment and exports through international engagement.
- Assisting in advancing Saskatchewan's natural resource assets and strengths through our transportation design.

## Overview of the GTH

The GTH is Saskatchewan's commitment to developing a supply chain, logistics, and transportation infrastructure that supports global trade. As Canada's only autonomous and self-governing inland port authority, the GTH's ability to serve as a single point of contact for our clients is a true differentiator from all other inland port or logistics hub environments.

With passage of Bill No.81 – *The Global Transportation Hub Authority Act* in August 2013, the GTH is responsible for its own land use planning and development regulations, governance structure, sub-division approvals, permitting and enforcement services. It also holds responsibility to own, operate, maintain and replace the infrastructure built specifically for a transportation and logistics operation.

This efficient and collaborative approach where clients can deal with the final decision makers is unique and gives our clients the fastest turnaround from purchase to full operations. For companies depending on domestic and global trade, long-term success means having the flexibility and agility to try new supply chain options and transport systems that meet ever-changing client demands. The GTH collaborates with all its clients to build a unique competitive advantage.

Today, the GTH is a statutory corporation, agency of the crown, whose operations have been funded by revenues generated from land sales. The GTH has not received any appropriated funding from the General Revenue Fund (GRF) but rather, generates revenue from its land sales and management to maintain the infrastructure and contribute to the ongoing operating costs of the Authority.

The GTH offers:

- The most competitively-priced land in western Canada
- Greenfield build opportunities
- A logistically superior design for maximum efficiency of truck movement

There are nine GTH clients including:

- CP Railway
- Loblaw
- Consolidated Fastfrate
- Emterra Group
- Saskatchewan Liquor and Gaming Authority
- Morguard Investments (Translink Logistics Centre)
- SaskPower
- S.H. Storpark (Slinkemo Enterprises)
- Genesis Holdings (Sterling Truck & Trailer)

## Economic Impact

Since inception, private sector investment in the GTH has topped $485 million and hundreds of new jobs and career opportunities have been realized. Employment during construction has created over 1,800 jobs while more than 750 full time jobs currently exist on site. Another noticeable financial advantage of the GTH is the $16.4 million generated in incremental diesel fuel tax and $14.2 million in provincial personal income tax. Additionally, the GTH sees about 4,600 weekly truck movements in and out of the footprint – a testament to the economic activity taking place in Saskatchewan's capital city.

## Board of Directors

The GTH is guided by a "blue chip" board of directors, with experience and expertise in all facets related to its operations. The GTH is being developed to be an innovative and integrated global transportation and logistics hub that provides a positive investment and operating environment for its clients.

### Board members as of March 31, 2015:

**Honourable Bill Boyd,** Chair – As the Minister Responsible for the Global Transportation Hub, Minister Boyd's mandate is to ensure economic growth in the province continues and that the government is meeting both the challenges and the opportunities of an expanding province. In addition to his responsibility for the GTH, he also serves as Minister of the Economy and Minister Responsible for SaskPower.

**Captain Gordon Houston**, Vice-Chair – Captain Houston is the former President and CEO of Port Metro Vancouver, the biggest port operation in Canada. Captain Houston is among the most senior authorities on port and supply chain logistics in Canada and worked extensively with Saskatchewan exporters during his tenure. He has been involved in the marine-land transportation business for 48 years, including a 24-year sea-going career which started when he was 16.

**Terry Baker** – Mr. Baker is the President of Franklin Land & Cattle Co., a century old mixed farm located in West Central Sask. A non-practicing Civil Engineer, he was the former Chair of the Saskatchewan Wheat Pool, the founding Chair of Viterra, and the former chair for the Saskatchewan Health Research Foundation. Mr. Baker currently acts as Chair of Agrivita, Canada's national not-for-profit corporation promoting health and safety research and its effective application to the agricultural sector.

**Barry Goldberg** - Mr. Goldberg is a managing director and the global head of mergers, acquisitions and restructuring with Canaccord Genuity Corp, a leading global financial services firm. Mr. Goldberg was also a founding principal of Genuity Capital Markets where he helped lead some of the country's largest and most complex corporate financial restructuring transactions. In addition to his global perspective on capital market banking, Mr. Goldberg has financial advisory experience for a range of industries including agriculture, forestry, oil and gas, steel, mining, and a variety of consumer products.

**Lionel LaBelle** – Mr. LaBelle has an extensive entrepreneurial background having assumed a leadership and ownership role in a cross-section of public and private corporations focused on agribusiness, construction and manufacturing. Most recently, he was President and CEO of the Saskatchewan Trade and Export Partnership (STEP), a member-based public/private partnership focused on assisting Saskatchewan exporters in national and international markets. Mr. LaBelle is currently the Senior Vice President of Priority Saskatchewan with SaskBuilds and continues to sit on the SaskWater Corporation board as well as a member of the Premier's Asian Advisory Council.

**Louis Ranger** – Mr. Ranger earned his outstanding reputation in Canadian and global transportation issues as the Government of Canada's Deputy Minister of Transportation and Infrastructure from 2002 to 2009. He has more than 30 years of experience in the transportation industry and has worked for the federal government in increasingly senior roles related to transportation and infrastructure since 1974. He now works as a transportation consultant and corporate director.

**Mayo Schmidt** – Mr. Schmidt served as President, CEO and Director at Viterra, one of the largest shippers and integrated agriculture export firms in Canada and globally. During his tenure, Viterra grew to operate in 50 countries with 500+ assets and 17 ports. He has been recognized in the Financial Post's Top 10 CEO Scorecard Rankings, as CEO of the Year by Canadian Business Magazine, as well as being awarded the Saskatchewan Centennial Medal. Mr. Schmidt also serves as a Director of Agrium Inc. and engagement in N.A., European, and Middle East projects.

**David Watson** – Mr. Watson Former President of OOCL Canada, (retired) following 43 years of service for a large integrated international container transportation, logistics and terminal company. His tenure with Orient Overseas Container Line (OOCL) and associated companies saw him in numerous senior executive management positions in Canada, Hong Kong, Australia and Europe with extended experience covering the Trans-Atlantic, Trans Pacific and Asia-Europe trades. His knowledge of the International Maritime industry and network of contacts, including major importers, exporters, freight forwarding and global supply chain logistics will be of particular benefit to the GTH.

## Board member update as of March 31, 2015:

On March 12, 2015, the GTH bid farewell to one of its founding board members, **Marcella Szel**, Q.C. Ms Szel is the former Senior Vice President of Sales and Marketing for Canadian Pacific (CP) and brought more than 30 years of management, corporate and legal experience in the transportation industry to the GTH. She is also the former chair of the Western Transportation Advisory Council and past director and vice chair of the Port Metro Vancouver. In 2014, she was also appointed by the Minister of Transport as an advisor for the review of the Canada Transportation Act. The GTH recognizes the significant leadership Ms Szel provided during her five-year tenure, and appreciates her contributions.

# Progress in 2014-15

## Goal

The vision of the GTH board of directors and management team is to be recognized as Canada's Premier Inland Port.

## Achievements

The past fiscal year was both busy and successful. Highlights include:

The GTH welcomed two new clients to the footprint in February. Sterling Truck and Trailer signed on to purchase two 6-acre parcels and set up S.H. Storpark, a container transportation, storage and repair service operation and Genesis, a truck and trailer maintenance and repair service. Construction is already underway and we expect to see the first business open this fall. These new services will be of huge benefit to our clients.

In the fall of 2014, Morguard completed construction of twin warehouses at the GTH designed specifically for the transportation and distribution sector. The state-of-the-art industrial LEED-certified warehouse space is now available for lease to both local and global clients.

Also in 2014, Morguard exercised an option in their contract to acquire an additional 54 acres of land at the GTH. The sales agreement with Canada's leading real estate company also provides Morguard with the option to acquire more land in future years provided certain development conditions have been met.

The GTH secured First Canada ULC to provide transit services for our clients, their employees and future companies at the GTH. The shuttle service began in May and includes several runs a day and pick up/drop off locations across the city. The service is an important milestone in becoming a world class port authority, and in supporting GTH clients with their workforce attraction efforts. The service is logging about 2,800 rides every month.

In May, the GTH's enforcement service was put into effect with an appointed peace officer. As the regulator of its own footprint, the GTH has the authority to enforce provincial acts and regulations relating to both passenger and commercial vehicle drivers, as well as GTH bylaws. The GTH Enforcement Service primary objective is to promote safe driving and public safety. The GTH peace officer works closely with the Saskatchewan Highway Transport Patrol, Canadian Pacific Police Service, SGI, Regina Police Service and RCMP.

The GTH became a signatory to the Safe Saskatchewan vision. By signing the Health and Safety Leadership Charter, the GTH has agreed to the principles of the charter which include integrating health and safety into business strategies, processes and performance measures and effectively managing health and safety risks by eliminating, minimizing or controlling hazards. Since inception, the GTH has strived to provide a safe environment and enforce strict infrastructure safety practices.

The GTH began preliminary planning for the development of a commercial services centre, to be located at the northeast corner of the footprint. The GTH has selected private sector partners through an open expression of interest process. Priority services will include food, rest and fueling related services for truck drivers.

In January, the GTH boundary was expanded on the east side of its footprint to incorporate an additional 204 acres of previously purchased land. The land, now under the regulatory authority of the GTH, was acquired to support the west portion of the Regina Bypass and interchange.

In October, the GTH team moved into new office space out at the footprint. It had always been part of the GTH's long term plan to provide a central, integrated business office on-site with the entire staff under one roof. The new office is located within one of the Morguard warehouses. The space consists of a variety of functional workspaces and offers staff, guests and potential clients an environment that is reflective of the core business – land development, transportation and sustainability.

The GTH signed a five-year fire service agreement with the City of Regina to provide service through the end of 2019. The arrangement replaces the interim arrangement and provides another level of reassurance that this essential service will be available to the GTH and its clients in the future. The GTH is currently in negotiations with the City of Regina to establish other service offerings such as property tax assessment & collection and water & sewer services.

The GTH hired a human resource manager who specializes in workforce planning and human resource support services. In addition to working with clients on retention issues, the GTH endeavors to communicate to prospective clients, the availability of resources and workforce solutions within Saskatchewan to ease concerns with the province's labour market shortage.

The GTH invested $10.2 million in capital development this past construction season. The majority of this commitment was put towards preparing land for new clients and future development of the commercial services centre.

In addition to increasing safety and visibility, the GTH is becoming a more visible landmark following the installation of both streetlights and road markers this past winter. The streetlights along the main corridors are brighter than the average streetlight and provide better illumination on the extra wide, double-lane roadways at the GTH.

# 2014-15 Financial Overview

Global Transportation Hub
Management's Responsibility for the Financial Statements
For the Twelve Month Period Ended March 31, 2015

The accompanying financial statements are the responsibility of the management of the Global Transportation Hub. They have been prepared in accordance with generally accepted accounting principles for the public sector, using management's best estimates and judgements, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report.

Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The GTH board of directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The GTH's external auditor, Deloitte LLP, expresses an independent opinion on these statements and their report follows.

On behalf of the Global Transportation Hub,

Bryan Richards,
President and Chief Executive Officer

**Deloitte.**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Global Transportation Hub Authority, which comprise the statement of financial position as at March 31, 2015, and the statement of revenues, expenses and change in accumulated surplus, statement of change in net financial assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Global Transportation Hub Authority as at March 31, 2015, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Professional Accountants

June 11, 2015
Regina, Saskatchewan

**Statement 1**

## GLOBAL TRANSPORTATION HUB AUTHORITY
### STATEMENT OF FINANCIAL POSITION
**As at March 31, 2015**
(thousands of dollars)

| | 2015 | 2014 |
|---|---|---|
| **Financial assets** | | |
| Cash | $ - | $ 546 |
| Accounts receivable | 1,728 | 2,636 |
| | 1,728 | 3,182 |
| **Liabilities** | | |
| Bank indebtedness (note 5) | 3,472 | - |
| Accounts payable | 3,835 | 7,347 |
| Customer deposit | 221 | 117 |
| Deferred revenue | 2,872 | 85 |
| Term debt (note 5) | 17,000 | 20,000 |
| | 27,400 | 27,549 |
| **Net financial liabilities** | (25,672) | (24,367) |
| **Non financial assets** | | |
| Prepaid expenses | 243 | 160 |
| Inventory of land | 24,558 | 20,018 |
| Tangible capital assets (note 9) | 25,894 | 23,433 |
| | 50,695 | 43,611 |
| **Accumulated surplus (Statement 2)** | **$ 25,023** | **$ 19,244** |

(See accompanying notes to the financial statements)

**APPROVED BY THE BOARD**

..... Chairman, Finance & Audit Committee

..... Director

**Statement 2**

## GLOBAL TRANSPORTATION HUB AUTHORITY
### STATEMENT OF REVENUE, EXPENSES AND CHANGE IN ACCUMULATED SURPLUS
**For the Year Ending March 31, 2015**
(thousands of dollars)

| | 2015 Budget (Note 4) | 2015 | 2014 |
|---|---|---|---|
| **Revenue** | | | |
| Land sales (Note 8) | $ 12,470 | $ 12,925 | $ 36,912 |
| Topsoil movement | - | 3,050 | 825 |
| Property tax | 1,239 | 1,356 | 818 |
| Transit | - | 298 | - |
| Permits & fees | 120 | 85 | 132 |
| Other | - | 524 | 140 |
| | 13,829 | 18,238 | 38,827 |
| **Expenses (Note 11)** | | | |
| Land & development costs | 1,916 | 3,648 | 14,956 |
| Topsoil movement | - | 2,191 | - |
| Authority management | 1,042 | 2,481 | 669 |
| Permits & fees | 191 | 72 | 200 |
| Professional services | 829 | 387 | 815 |
| Operating expenses | 5,368 | 3,680 | 4,012 |
| | 9,346 | 12,459 | 20,652 |
| **Annual surplus** | **4,483** | **5,779** | **18,175** |
| **Accumulated surplus, beginning of year** | 25,137 | 19,244 | 1,069 |
| **Accumulated surplus, end of year (Statement 1)** | **$ 29,620** | **$ 25,023** | **$ 19,244** |

(See accompanying notes to the financial statements)

**Statement 3**

## GLOBAL TRANSPORTATION HUB AUTHORITY
## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
**For the Year Ending March 31, 2015**
(thousands of dollars)

| | 2015 Budget (Note 4) | 2015 | 2014 |
|---|---|---|---|
| **Annual Surplus** | $ 4,483 | $ 5,779 | $ 18,175 |
| Acquisition of tangible capital assets | - | (3,043) | (1,323) |
| Amortization of tangible capital assets | - | 582 | 531 |
| | | 3,318 | 17,383 |
| Purchase of inventory of land | - | (7,739) | (22,495) |
| Sale of inventory of land | - | 3,199 | 7,159 |
| (Purchase) sale of prepaid expenses | - | (83) | 18 |
| **(Decrease) increase in net financial assets** | - | (1,305) | 2,065 |
| **Net financial liabilities – beginning of year** | - | (24,367) | (26,432) |
| **Net financial liabilities – end of year** | $ - | $ (25,672) | $ (24,367) |

(See accompanying notes to the financial statements)

Statement 4

## GLOBAL TRANSPORTATION HUB AUTHORITY
### STATEMENT OF CASH FLOWS
**For the Year Ending March 31, 2015**
(thousands of dollars)

| | 2015 | 2014 |
|---|---|---|
| **Cash flows from operations** | | |
| Annual surplus | $ 5,779 | $ 18,175 |
| Non-cash items in annual surplus | | |
| Amortization expense | 582 | 531 |
| Changes in working capital | | |
| Accounts receivable | 908 | (1,794) |
| Inventory | (4,540) | (15,336) |
| Accounts payable | (3,512) | 1,501 |
| Customer deposit | 104 | 117 |
| Deferred revenue | 2,787 | 85 |
| Prepaid expenses | (83) | 18 |
| | 2,025 | 3,297 |
| **Cash flows used in capital activities** | | |
| Purchase of tangible capital assets | (3,282) | (1,323) |
| Sale of tangible capital assets | 239 | - |
| | (3,043) | (1,323) |
| **Cash flows from financing activities** | | |
| Repayment of term debt | (3,000) | (1,500) |
| | (3,000) | (1,500) |
| Total cash (outflows) inflows during year | (4,018) | 474 |
| Cash, beginning of year | 546 | 72 |
| (Bank indebtedness) cash, end of year | $ (3,472) | $ 546 |
| Interest paid | $ 481 | $ 620 |

(See accompanying notes to the financial statements)

**Global Transportation Hub Authority**
**Notes to the Financial Statements**
**As at March 31, 2015**
(thousands of dollars)

## 1. Status of Global Transportation Hub Authority

The Global Transportation Hub Authority (the "GTHA") was established as a Treasury Board Crown corporation by Order in Council 492/2009 dated June 24, 2009. Effective August 6, 2013 the *Global Transportation Hub Authority Act* was passed and gives the GTHA authority over land use, planning and regulation, infrastructure asset ownership and rights to property taxes.

The GTHA holds a mandate to advise on, plan, develop, construct, operate, manage, and promote Saskatchewan's Global Transportation Hub in a manner that:

- creates an investment and operating environment for business that is secure, efficient, coordinated, and orderly; and,
- is consistent with the social and economic development of the province.

## 2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the GTHA is classified as an other government organization. These financial statements are prepared using Canadian public sector accounting standards. The statement of re-measurement gains and losses has been omitted as there were no relevant transactions to report.

The following policies are considered significant:

a) Revenue

Land sales are recognized as revenue when the risk and rewards of ownership are transferred and the amount can be reasonably estimated and collectability is reasonably assured. Property tax revenues are recognized as they are earned. Topsoil movement, transit, permit and other revenue is recognized as revenue in the year it is earned. Government transfers are recognized when authorized and any eligibility criteria are met.

Deferred revenue received from the Ministry of Highways and Infrastructure ("MHI") related to borrow lands will be recognized into revenue on a percentage of completeness basis as the West Regina Bypass is completed. Deferred revenue relating to building and development permits, is billed at the outset of construction and is recognized into revenue as the permitting process occurs throughout construction.

b) Land and Development Costs

Land and development cost expense are recognized in the year that the associated land sales revenue is recognized.

The cost of land sales relate to the initial cost of purchasing and grading costs directly associated with the land sold. Costs related to land development for roads, undergrounds and other infrastructure constructed on common lands are capitalized and amortized over their useful life.

c) Inventory of Land

Inventory of land consists of the costs of acquiring land held for sale, grading and municipal reserve costs incurred on any land to be sold. All inventories are held at the lower of cost or net realizable value. Land is held for sale in future periods.

**2. Significant Accounting Policies (continued)**

d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Tangible capital assets, with a life exceeding one year, are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Roadways | 40 years |
| Undergrounds | 75 years |
| Storm water management | 100 years |
| Fixtures and equipment | 1 – 20 years |

Leasehold improvements are amortized over the remaining lease period.

e) Pensions

GTHA employees participate in the Public Employees' Pension Plan (PEPP) which is a defined contribution pension plan. The GTHA follows defined contribution plan accounting for its participation in the plan. Accordingly, the GTHA expenses all contributions (7.25% of employee salaries) it is required to make in the year.

f) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Revenue, Expenses and Change in Accumulated Surplus in the period in which they become known.

g) Financial Instruments

All financial instruments are measured at amortized cost.

h) Amendments to Standards

A standard amendment which may impact GTHA is not yet effective for the year ended March 31, 2015, and has not been applied in preparing these financial statements. In particular the following standard amendment is effective for financial statements on or after April 1, 2017:

PS 2200, Related Party Disclosures

The extent of the impact on adoption of this standard is not known at this time.

**3. Change in Accounting Policy**

On April 1, 2014, the GTHA adopted the PSA Handbook Section 3260 "Liability for Contaminated Sites". The new standard includes the requirement for recognition of remediation liabilities net of any expected recoveries for contaminated sites when the following criteria are met:

i. An environmental standard exists;
ii. Contamination exceeds the environmental standard;
iii. The GTHA:

**3. Change in Accounting Policy (continued)**

- Is directly responsible; or
- Accepts responsibility; and

iv. A reasonable estimate of the amount can be made.

The prospective adoption of this standard had no material impact on the financial statements.

**4. Budget Approval**

The budget figures are presented for comparison purposes. The GTHA's 2014-15 budget was approved by the Board of Directors on March 31, 2014.

**5. Term Debt**

| | 2015 | 2014 |
|---|---|---|
| Royal Bank Loan with interest at prime rate less .37% | $ 17,000 | $20,000 |

The loan is repayable in full on the earlier of receipt of the net proceeds on sale of developed land or December 31, 2015.

| | | |
|---|---|---|
| 2016 | $ | 17,000 |

A line of credit operating loan ($25 million at prime rate less .50%) has been approved. The balance outstanding as at March 31, 2015 is $3,472 (March 31, 2014 – nil). Prime rate at March 31, 2015 is 2.85% (March 31, 2014 – 3.0%).

**6. Related Parties**

These financial statements include routine transactions with related parties. GTHA is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control or significant influence of the Government of Saskatchewan.

The Ministry of Highways and Infrastructure provided management and administrative services and the Information Technology Division of the Ministry of Central Services provided information technology services to GTHA in 2014-15 under Service Level Agreements.

Related party transactions to March 31, 2015 include the following:

**6. Related Parties (continued)**

| Expenses | 2015 | 2014 |
|---|---|---|
| Crown Investments Corporation of Saskatchewan | $ - | $ 94 |
| Ministry of Central Services | 123 | 95 |
| Ministry of Finance | 2 | 41 |
| Ministry of Highways and Infrastructure | 4,427 | 7,840 |
| Ministry of Justice | 1 | 3 |
| Ministry of the Economy | 49 | 49 |
| Provincial Public Safety Telecommunications Network | 1 | 1 |
| SaskEnergy | 73 | 158 |
| SaskPower | 935 | 44 |
| SaskTel | 280 | 22 |
| Total | $ 5,891 | $ 8,347 |

| Revenue | 2015 | 2014 |
|---|---|---|
| Ministry of the Economy | $ 6 | $ 12 |
| Ministry of Highways and Infrastructure | 3,056 | 3,730 |
| Saskatchewan Liquor and Gaming Authority | 49 | 54 |
| SaskPower | - | 24,795 |
| Total | $ 3,111 | $ 28,591 |

| Accounts Receivable | 2015 | 2014 |
|---|---|---|
| Ministry of Highways and Infrastructure | $ 563 | $ 1,862 |

| Prepaid Expenses | 2015 | 2014 |
|---|---|---|
| Ministry of Central Services | $ 186 | $ 115 |

| Deferred Revenue | 2015 | 2014 |
|---|---|---|
| Ministry of Highways and Infrastructure | $ 2,860 | $ - |
| Saskatchewan Liquor and Gaming Authority | 12 | 60 |
| Total | $ 2,872 | $ 60 |

| Accounts Payable | 2015 | 2014 |
|---|---|---|
| Ministry of Central Services | $ 9 | $ 6 |
| Ministry of Highways and Infrastructure | 1,100 | 3,277 |
| Ministry of The Economy | 12 | 23 |
| SaskEnergy | 1 | - |
| SaskPower | 358 | 2,131 |
| SaskTel | 8 | - |
| Total | $ 1,488 | $ 5,437 |

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, the GTHA pays Provincial Sales Tax on all its taxable purchases.

## 7. Contractual Obligations

Contractual obligations include:

| | 2015 | 2014 |
|---|---|---|
| KPCL (Grading Contractor) | $ 1,341 | $ 448 |
| Stantec Engineering | 1,757 | 877 |
| Yellow Pencil | 200 | - |
| Associated Engineering | 15 | 53 |
| Clean Landscapes (EcoCare) | 4 | - |
| Jay O'Connor | 2 | - |
| ATCO | - | 30 |
| SaskEnergy | - | 74 |
| Total | $ 3,319 | $ 1,482 |

The above contractual obligations do not include those contracts which are paid on a usage basis. The GTHA has entered into a five year contract with First Canada for the provision of transit service that is paid on a usage basis and expires on May 4, 2019. The GTHA has also entered into a five year contract with the City of Regina expiring December 31, 2019 for the provision fire services for which service fee is calculated based on up to date information each year.

During the year the GTHA entered into a 15 year lease for head office space. Non-cancellable operating lease payments are as follows (thousands of dollars):

| | |
|---|---|
| 2016 | $ 92 |
| 2017 | 92 |
| 2018 | 92 |
| 2019 | 92 |
| 2020 | 95 |
| Thereafter | 990 |

During the year ended March 31, 2015 the Authority recognized $128 (2014 - $127) as rent expense related to operating leases.

## 8. Land Sales

The GTHA received this revenue in 2014-15 pursuant to land sale agreements.

## 9. Tangible Capital Assets

| | Net Book Value, beginning of year | Cost, beginning of year | Additons | Disposals | Cost, end of year |
|---|---|---|---|---|---|
| Leasehold improvements | $ 9 | $ 117 | $ 1,310 | $ 117 | $ 1,310 |
| Roadways | 12,757 | 13,210 | 584 | 251 | 13,543 |
| Undergrounds | 8,436 | 8,594 | 480 | - | 9,074 |
| Storm water management | 1,905 | 1,932 | 636 | - | 2,568 |
| Fixtures and equipment | 326 | 384 | 272 | - | 656 |
| | $ 23,433 | $ 24,237 | $ 3,282 | $ 368 | $ 27,151 |

| | Accumulated Amortization, beginning of year | Amortization, current year | Disposals | Accumulated Amortization, end of year | Net Book Value, end of year |
|---|---|---|---|---|---|
| Leasehold improvements | $ 108 | $ 53 | $ 117 | $ 44 | $ 1,266 |
| Roadways | 453 | 336 | 12 | 777 | 12,766 |
| Undergrounds | 158 | 119 | - | 277 | 8,797 |
| Storm water management | 27 | 22 | - | 49 | 2,519 |
| Fixtures and equipment | 58 | 52 | - | 110 | 546 |
| | $ 804 | $ 582 | $ 129 | $ 1,257 | $ 25,894 |

## 10. Financial Instruments

The GTHA's financial assets consist of cash and accounts receivable which are measured at amortized cost. Financial liabilities consist of accounts payable, customer deposits, deferred revenue and debt which are measured at amortized cost.

*Financial risk management*

The Board of Directors ensures that the GTHA has identified its major risks and ensures that management monitors and controls them. The Board of Directors oversees the GTHA's systems and practices of internal control, and ensures that these controls contribute to the assessment and mitigation of risk.

The GTHA has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk and liquidity risk.

a) Credit risk

The GTHA is exposed to credit risk from the potential non-payment of accounts receivable. The GTHA's receivables are primarily from the companies who have purchased land or property tax revenues receivable.

The carrying amount of accounts receivable represents the maximum credit exposure as follows:

| | 2015 | 2014 |
|---|---|---|
| Accounts receivable | $ 1,728 | $ 2,636 |

The GTHA manages its credit risk surrounding accounts receivable by dealing solely with reputable customers and ensuring security.

**10. Financial Instruments (continued)**

b) Interest rate risk

Financial liabilities with variable interest rates expose the GTHA to cash flow interest rate risk. The GTHA's debt outstanding as at March 31, 2015 has a variable interest rate.

Although management monitors exposure to interest rate fluctuations, it does not employ any interest rate management policies to counteract interest rate fluctuations.

As at March 31, 2015 had prevailing interest rates increased or decreased by 1% it would result in a change in annual interest payments of $205.

c) Liquidity risk

Liquidity risk is the risk that the GTHA will not be able to meet its financial obligations as they become due.

The GTHA manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities.

At March 31, the GTHA has drawn $3,472 on its operating line of credit (2014 - cash balance of $546).

**11. Expenses by Object**

| | 2015 Budget | 2015 | 2014 |
|---|---|---|---|
| Salaries & benefits | $ 1,641 | $ 1,520 | $ 1,719 |
| Purchased goods and services | 5,124 | 9,876 | 17,782 |
| Interest | 1,269 | 481 | 620 |
| Amortization | 1,312 | 582 | 531 |
| Total | $ 9,346 | $ 12,459 | $ 20,652 |

**12. Pension Contributions**

During the year, the GTHA contributed $92 (2014 - $88) to PEPP.

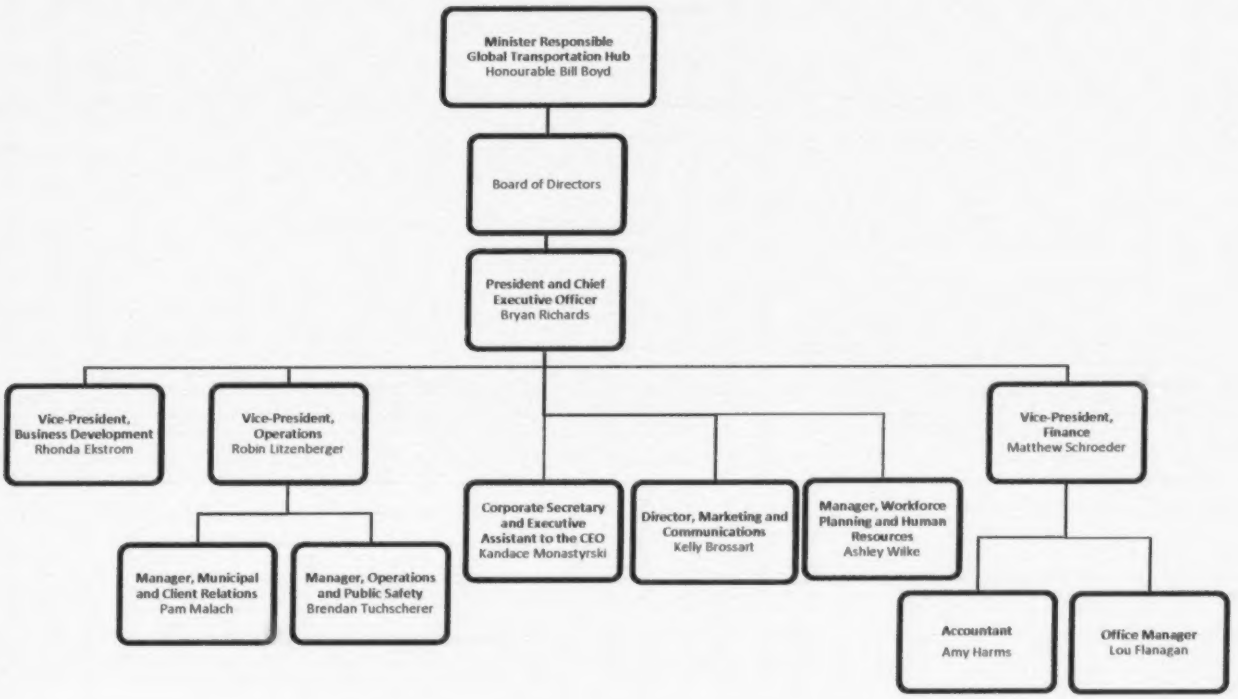
**13. Contingent Liabilities**

The GTHA has accrued a contingent liability relating to matters outstanding with the Ministry of Highways and Infrastructure.

**14. Comparative Figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

# Appendix A: GTH Organizational Chart



# **Appendix B:** Payee Report

**Employees**

Individual payees are reported where remuneration paid to them totals at least $50,000. Remuneration includes salaries, wages, bonuses, payments in lieu of notice, vacation payouts and other taxable benefits paid to employees with a minimum threshold of $50,000.

Payments of pension funds to, or on behalf of, active or retired employees are not reported.

| Employee | Remuneration |
|---|---|
| BROSSART, KELLY L | 102,765 |
| EKSTROM RHONDA LEE | 181,803 |
| FLANAGAN, LOU A | 56,268 |
| LITZENBERGER, ROBIN T | 133,842 |
| MALACH, PAM NICOLE | 70,698 |
| MONASTYRSKI, KANDACE F | 78,789 |
| SCHROEDER, MATTHEW R | 157,281 |
| RICHARDS, BRYAN S | 249,234 |
| TUCHSCHERER, BRENDAN | 95,148 |
| WILKE, ASHLEY | 86,689 |

**Suppliers and Other Payments**

Individual payees are reported where the sum of payments to them total at least $50,000.

| Vendor | Remuneration |
|---|---|
| ASL PAVING LTD | 1,048,863 |
| BROWN COMMUNICATIONS GROUP | 191,367 |
| CANADA REVENUE AGENCY | 73,008 |
| CITY OF REGINA | 255,635 |
| FIRST CANADA ULC | 435,047 |
| HBI OFFICE PLUS | 120,595 |
| HEADWAY COMMERCIAL REAL ESTATE INC | 128,963 |
| HOOPP REALTY INC | 1,372,136 |
| KELLY PANTELUK CONSTRUCTION LTD | 6,723,099 |
| MCKERCHER LLP | 104,003 |
| MARCOUX REAL ESTATE LTD | 1,800,000 |
| MCNAIR BUSINESS DEVELOPMENTS INC | 85,500 |
| MINISTRY OF CENTRAL SERVICES | 119,823 |
| MINISTRY OF THE ECONOMY | 59,195 |
| MINISTRY OF HIGHWAYS & INFRASTRUCTURE | 6,429,496 |
| PROFESSIONAL BUILDING INSPECTIONS, INC | 69,368 |

| | |
|---|---|
| RBC ROYAL BANK VISA | 155,311 |
| SASKENERGY INCORPORATED | 72,406 |
| SASKPOWER | 577,697 |
| SASKTEL | 271,893 |
| STANTEC CONSULTING LTD. | 1,611,883 |

## Appendix C: Contact Information

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